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### 1. MEXICO IS ONE OF THE LEADING GOURMET MARKETS IN LATIN AMERICA



Meeting the specific needs of the **Millennial generation** and **older adult** markets will continue to engender stable growth in the food sector in Mexico. The approximate value of the food market in Mexico is over **4 billion US dollars** and it is forecast that food consumption **will increase at a rate of 15 per cent through to 2020**. It should also be borne in mind that **40 per cent of the population is middle class**, a consumer profile that is interested in buying imported and gourmet products.

Foodstuffs classified as ‘gourmet’, which are mainly imported, include: wines and spirits, luxury canned goods, meat, seafood, organic products, cheeses, charcuterie, oils – especially olive oil – vinegars, dressings and sauces, condiments and spices, jams and jellies, craft bread, confectionery and desserts, coffee and tea.

Consumers of gourmet products in Mexico account for between 8 and 10 per cent of the total population, which guarantees a market of around 12 million people, and we know that the average spend is 319 euros per person per year, which indicates an economic consumption capacity of around 3.194

billion euros per year for this group.

According to AC Nielsen, the typical consumer of gourmet products in Mexico is a 25 to 65-year-old with a high educational level and above-average purchasing power and tends to be well-informed about new trends in food and eating.

#### Healthy food in Mexico:

In 2013, almost one fifth of household expenditure was on healthy products. In 2017, consumption of these products continues to grow.

In general, these product categories are consumed to a greater extent by the higher classes, although the middle classes are also including them in their shopping basket.

Growth in the number of consumers concerned about their health, a rising middle class and a modern and expanding retail chain are the factors that are supporting and will continue to support the growth in the market of healthy packaged foods in Mexico, a market that is forecast to reach 13.4 billion US dollars by 2020, representing growth of 13.6 per cent compared to 2015, according to figures from Euromonitor International.



The main health problem in Mexico is overweight and obesity. Since 2014, the government has been applying a special Tax on Products and Services that aims to penalise junk food.

Health, wellness and sustainability are now huge trends. There is also a particular focus on older consumers. The demand is such that supermarkets in recent years have had to rush to open sections dedicated to organic and artisan products.

## 2. FISH CONSUMPTION IN MEXICO INCREASED BY THREE KILOS PER CAPITA IN JUST THREE YEARS



According to figures from the National Institute of Statistics and Geography (INEGI), fish and crustaceans (fresh, refrigerated and frozen) were one of the highest-growing categories between 2015 and 2016, recording growth of 7.62 per cent.

This result is due mainly to the growth in consumption of fish and shellfish which in just three years managed to increase by three kilos per person, reaching 12 kilos in 2016. Reaching this target was possible thanks to public policies encouraging the consumption of fishery products, primarily among children (Source: National Commission on Aquaculture and Fisheries, Mexico).

## 3. PRE-PREPARED FOOD SALES ARE DRIVEN BY THE DEMAND FOR HEALTHY FOODSTUFFS



**Pre-prepared food, ready-to-eat products, canned and frozen food** are gaining popularity in Mexico as a result of lifestyle changes, the incorporation of women in the workplace and the increased income per capita. In addition, rising income levels represent increasing opportunities to buy imported foods.

According to Euromonitor, in 2014 the

consumption of processed food in Mexico reached **137.36 billion US dollars** and it is expected that this will grow at an average annual growth rate (TMCA) of **5.1 per cent over the 2015-2020 period**.

The categories with the highest sales in the Mexican market in 2015 were **bakery items**, with 15.7 billion US dollars, and **dairy products**, with 11.5 billion US dollar, which together accounted for 52 per cent of the consumption of processed foods.

Notable growth is expected in both **ready meals and fish and meat products in the coming years, with 5.8 and 5.7 per cent annual growth** respectively.

According to the National Food Preserves Chamber of Commerce (CANAINCA), consumer habits have changed and the industry is having to adapt products to what consumers are now demanding.



For example, housewives

now put a higher priority on healthy foods that are easy to cook. Today, 51 per cent of Mexican housewives opt for canned processed products because they save preparation time and are easy to eat.

In addition, foods with the word **'healthy'** on the label have seen sales rise by **85 per cent**.

**Imports** in 2015 reached a value of **6.27 billion pesos**, representing **growth of 6 per cent** compared to 2014.

These were mainly from canned fruit in syrup, sauces and condiments that are not usually found in the country, along with various fruit juices and nectars. 'These are products that require natural produce for their preparation that are not necessarily found in the country due to climatic conditions, or might also be products that need to be imported to get a commercial foothold,' says a representative from CANAINCA.

According to estimates by the Secretariat of Economy, it is expected that **consumption of processed food in Mexico will grow between 2012 and 2020 at a rate of 7.4 per cent**, despite the trend in factors such as

Market size of certain categories in the processed food industry in Mexico.

	2015 (MUSD)	2015-2020
Panadería	15,718	4.5%
Lácteos	11,550	4.6%
Confitería	4,072	3.6%
Productos del mar y cárnicos	3,313	5.7%
Salsas y aderezos	3,209	5.5%
Galletas y barras	3,176	4.7%
Botanas dulces y saladas	3,003	4.9%
Aceites y grasas	1,993	4.0%
Arroz y pastas	1,874	4.9%
Cornida para bebé	1,084	4.2%
Frutos y vegetales	979	5.2%
Cereales	741	4.1%
Helados	587	4.8%
Untables	499	5.2%
Cornida lista	4170	5.8%
Sopas	157	4.5%
Total	52,423	4.7%

Fuente: Euromonitor

obesity, interest in local produce and the use of quality ingredients, which might affect the demand for these goods (Source: *El Economista*).

#### 4. OLIVE OIL CONSUMPTION COULD DOUBLE IN FIVE YEARS

In 2016, oil imports were in sixth place with a value of 1.28 billion US dollars.

#### The olive oil market in Mexico could double in the next five years

Although olive oil consumption in Mexico is regarded as negligible, sales increased in 2016 by 4.3 per cent in volume and 7 per cent in value. It is estimated that the potential market of olive oil consumers could grow in the next five years to 7, 8 or 10 million litres, which would be practically double the consumption level of 2016.

#### MEXICAN OIL IMPORTS

	2014	2015
(Toneladas)		
OLEAGINOSAS	5,330,547	5,389,046
ACEITES CRUDOS	586,357	673,534
ACEITES REFINADOS	342,929	384,793
GRASAS ANIMALES	326,470	353,028
PASTAS PROTEINICAS	3,318,370	3,803,884
<b>TOTALES</b>	<b>9,904,673</b>	<b>10,604,285</b>

Asociación Nacional de Industriales de Aceites y Manteigas Comestibles, A.C.



Extra-virgin olive oil has numerous benefits. Today it enjoys an excellent reputation as a natural, healthy product with properties that are beneficial for human health, a factor that has boosted its consumption.

It is important that olive oil companies educate consumers and teach them the benefits of the oil in relation to health, flavour and cooking; to distinguish between different types of olive oils and their acidity levels. These actions will result in increased consumption.

In 2014, olive oil accounted for 4.29 per cent of total Mexican imports of oils, animal fats and vegetable fats, the leading exporter being Spain, followed by Italy.

15.09	Aceite de oliva y sus fracciones, incluso refinado, pero sin modificar químicamente.			797 375 033
1509.10	- Virgen.			587 678 308
1509.10.99	Los demás.	Kg	9 662 350	587 678 308
	Argentina		17 049	1 487 780
	Aruba		19 494	786 378
	Australia		237	55 023
	Chile		91 906	6 080 012
	Curazao		19 700	779 752
	España		7 474 331	423 748 718
	Estados Unidos		28 782	2 121 409
	Francia		3 696	372 505
	Grecia		112 961	3 802 179
	Israel		25	2 552
	Italia		1 845 743	145 088 011
	Líbano		300	13 641
	Marruecos		1	280
	Perú		36	5 143
	Portugal		2 182	431 102
	Suiza		0	371
	Turquía		10 798	760 152
	Túnez		35 109	2 145 440

Source: Trade balance of goods in Mexico in 2014, Imports in pesos, INEGI.

In the first five months of 2017, Mexico was tenth in the ranking of Andalusian olive oil exports, with 17.7 million pesos and an increase of 25.2 per cent over the same period the previous year.

## 5. THE CONFECTIONERY MARKET IN MEXICO

Mexico is the second biggest consumer in Latin America of candies and the sixth biggest in the world. Various sources note that per capita consumption is 4.5 kilos per year.

According to consultancy firm Canadean, this is due to the fact that Mexico has a very large young population, to the urbanisation of the population, and to the fact that 90 per cent of the population eats candies, even if only occasionally. (Data: Bancomext).

There is no doubt that young people are massive consumers of confectionery products. It should be remembered that 52 per cent of Mexicans are under the age of 20 and more than half of these are children. But there is also a growing market among the over 25s, who are looking for products such as breath fresheners, sugar-free chewing gum and dietary confectionery.

Cities are where consumption highest, where major supermarket chains are the main suppliers, followed by convenience stores.



In the first five months of 2017, the sale of confectionery in Mexico – not counting chocolate and imports – came to 12 billion pesos, which represents a **nominal increase of 14.5 per cent** over the same period last year, or an actual increase of 8.7 per cent, the biggest rise in a similar period in five years, according to figures from INEGI.

In the first five months of 2017, the displaced volume of confectionery reached almost **164,000 tonnes**, an increase of 2 per cent over the same period last year, and **28 per cent more** than the same period in 2014.

‘Confectionery sales are mainly driven by product innovation. Companies are offering a bigger range of flavours in their product portfolios and are also experimenting with limited editions and more sophisticated flavours,’ explains a report by the consultancy firm Euromonitor.

According to Euromonitor’s figures, **32 per cent of the consumption** of confectionery products in Mexico is of **imported** products.

According to the magazine Candy Industry, it is estimated that in 2017 retail confectionery will grow in Mexico by more than 1 billion US dollars over the 2012 figure, reaching \$5.4 billion. In 2013 alone, the chocolate market increased by around 8 per cent.

### Mexico’s favourite candies

The confectionery eaten in Mexico is very much geared towards traditional flavours, formats such as marzipans, soft gums and products containing chilli and citrus fruits. The most widely consumed confectionery are sugar products, chewing gum and chocolate.

Some 43 per cent of total sales correspond to the candy category (marzipans, soft and hard candies, lollies, tamarinds and traditional confectionery, amongst others). Some 33 per cent correspond to the gum category, and finally chocolate, with 24 per cent of sales. Chewing gum continues to be the segment with the strongest growth, even above chocolate.

Between now and **2018**, it is expected that sales of **chocolate confectionery** will experience **average annual growth of 8.7 per cent**, followed by **sugar confectionery (1.4 per cent)** and **chewing gum (1.1 per cent)**. Annual per capita expenditure on confectionery is forecast to reach 46 US dollars in 2018.



Fuente: Euromonitor  
 Elaboración: OCE México/at

With regard to **patisserie**, Mexicans have the world's highest per capita consumption of cakes: **each person eats an average of almost 20 kilos of cakes per year**, according to consultancy firm Euromonitor International.

The same consultancy firm determined that one of the five main upward trends is the consumption of cupcakes or muffins.

According to figures from the National Association of Professional Industry Suppliers of Bread, Bakery and Similar Products (ANPROPAN), the baking industry has a market value of 6.5 billion US dollars and the annual per capita consumption is 34 kg. Consumption in this industry is primarily white bread (70 to 75 per cent) while the remainder corresponds to sweet bread, cookies, cakes, etc.



The cake industry in Mexico has grown in the last few years, according to the Secretariat of Economy (SE).

Cakes and pastries made primarily by traditional bakers accounted for 12 per cent of the total expenditure of Mexican households on bakery products in 2013, not including cookies.

In relation to the average household expenditure on cakes and pastries, households with a high socio-economic level topped the ranking, followed by medium-high, middle-low and low; this demonstrates

that as these products are more expensive than white bread, expenditure on them is strongly linked to purchasing power (Source: CANIMOLT, Statistical Report 2014).

Adaptation to different types of bread and the growing trend for healthy food mean that gluten-free products are becoming more and more important and also that sizes are becoming smaller. Different formats using different types of flour and grains are also becoming popular.

The nutritional importance of fruit and nuts mean that these are appearing more and more often in bakery products, thus meeting the demand from more health-conscious consumers.

### New market niches

There are certain population segments that are creating a burgeoning demand:

- **Obesity and diabetes.** Due the increasing number of diabetics in Mexico (10-14 per cent of the population) and childhood obesity, products aimed at this segment are growing strongly as consumers are now looking for low-sugar or sugar-free confectionery. Some entrepreneurial companies are also venturing on the market with sales of frozen fruit with chocolate coatings and other similar treats with a higher nutritional value.
- **The artisan model.** In Mexico, traditional confectionery retains a strong hold, such as those made from seeds and molasses, *alegrías*, *palanquetas* and others. Some population segments are

particularly attracted by the artisan production of these items and are willing to pay a higher price for them.

- **The corporate market.** There is a growing demand for confectionery products for promotional and publicity purposes which might feature a company's name or logo for special events.

## 6. SNACKS (BOTANAS), AN ESSENTIAL PART OF THE DAILY DIET OF MEXICAN CONSUMERS

The snacks market in Mexico continues to be one of the most important in the food and beverage industry. According to Euromonitor, it is expected that in 2020 the snacks market in Mexico will reach a value of 52.7 billion pesos; at present, it is valued at 45.9 billion Mexican pesos.

Despite the tax on high-calorie food imposed by the Mexican government in 2014, sales in the sector recovered in 2015 and it is estimated that **the industry will grow by up to 29 per cent by 2020.**

According to Euromonitor, the increase in volume for 2015 as a whole was **369,600 tonnes, a rise of 7.4 per cent** compared to the 344,000 tonnes recorded five years earlier.

**Snacks and appetisers**, known locally as *botanas*, are hugely **popular in Mexico**. Their consumption, especially potato crisps or corn chips, is generalised across the whole population and there is never a social event without *botanas*, not to mention bars, restaurants and the traditional cantinas.

According to statistical data, in 2016 the market value of salted snacks in Mexico reached **3.4 billion US dollars**, and it is expected that by **2020** the value of this market will exceed **\$4 billion** (TCPA of 3.7 per cent).

Sales of snacks in Mexico by category



Fuente: Euromonitor

Most of the sales generated in the salted snacks segment correspond to potato crisps, tortilla chips or vegetable crisps, accounting for 65 per cent; the remaining 35 per cent is made up of salted crackers; walnuts, seeds, peanuts; and others.





Since 2014, the snacks segment has been affected by the increase in the Special Tax on Products and Services (IEPS) on junk food (non-staple foodstuffs with a high calorie content). This tax of eight per cent on foodstuffs with a calorie content equal to or higher than 275 calories per 100 grams, is aimed at slowing down the consumption of junk food and encouraging more healthy foodstuffs, especially among children.

This situation has created an interesting opportunity for innovation in the food industry, as the trend now is to offer 'healthy' snacks, or those targeted at certain niche markets. An example is the company Sabritas, whose 'Gourmet' product is aimed at a particular market segment. This product stands out for its packaging and combination of flavours and its price per gram is also higher than the average.